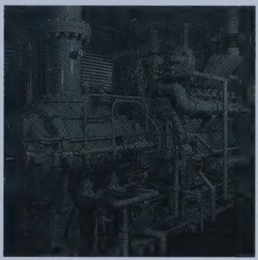
DRILLING RIGS, DRILLING AND PRODUCTION RENTALS, GAS COMPRESSION



2000 ANNUAL REPORT

we delivered

TOTAL ENERGY SERVICES LTD.

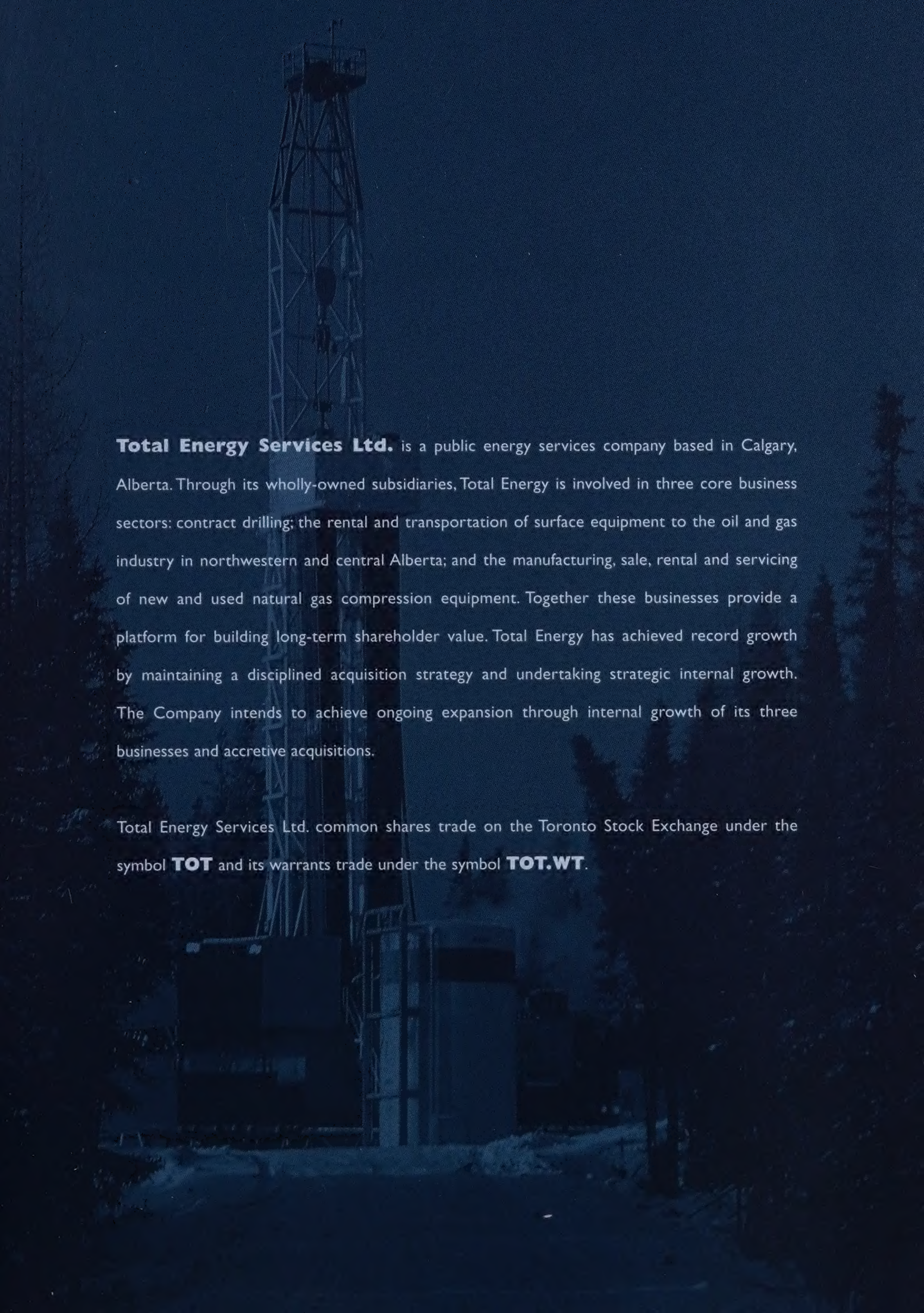
focus

discipline

growth

annual meeting

Shareholders are invited to attend the Annual General Meeting on May 28, 2001 at 3 p.m. in the Bankers Hall Auditorium, Level A, 315 - 8 Avenue S.W., Calgary, AB.

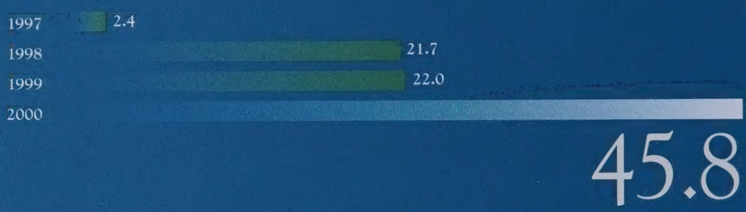


Total Energy Services Ltd. is a public energy services company based in Calgary, Alberta. Through its wholly-owned subsidiaries, Total Energy is involved in three core business sectors: contract drilling; the rental and transportation of surface equipment to the oil and gas industry in northwestern and central Alberta; and the manufacturing, sale, rental and servicing of new and used natural gas compression equipment. Together these businesses provide a platform for building long-term shareholder value. Total Energy has achieved record growth by maintaining a disciplined acquisition strategy and undertaking strategic internal growth. The Company intends to achieve ongoing expansion through internal growth of its three businesses and accretive acquisitions.

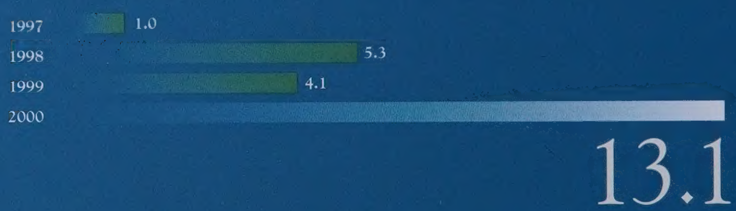
Total Energy Services Ltd. common shares trade on the Toronto Stock Exchange under the symbol **TOT** and its warrants trade under the symbol **TOT.WT**.

we delivered

revenues (in millions of dollars)



EBITDA (in millions of dollars)



cash flow (in millions of dollars)

net income (in millions of dollars)

The year 2000 was a record-setting one for both the Canadian oil and gas industry and Total Energy Services Ltd. From an industry perspective, crude oil and natural gas prices not only maintained the impressive gains achieved in 1999, but moved to new highs during the year. This increased cash flow gave the oil and gas exploration and production companies the financial capacity and confidence to increase spending levels steadily throughout the year.

Total Energy's strategies positioned the Company to capitalize on increased activity levels and set new highs in all major financial categories:

- Revenues grew 108% to $45.8 million.
- Net income reached $5.0 million in 2000, up from a loss of $217,000 in 1999.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) grew 220% to $13.1million in 2000, up from $4.1 million in 1999.
- Cash flow increased 248% to $11.0 million in 2000, up from $3.2 million in 1999.

During 2000, Total Energy had net investments of $14.0 million in capital assets including the addition of Chinook Drilling Inc., a 41% increase in the Company's net capital asset base which now stands at $38.1 million.

Our financial position was strengthened by an equity issue that took place in September 2000. The gross proceeds from the issue, which closed on September 12, were $6,052,200 based upon 5,764,000 units at $1.05 per unit. The units include one common share and one-half of a common share purchase warrant. Each full warrant has an exercise price of $1.50 per share and is exercisable until March 2002.

I am pleased to note that the offering, led by Dundee Securities with National Bank Financial and Peters & Co. Ltd., was oversubscribed. The results of the offering, which not only strengthened our balance sheet and significantly increased our market liquidity, can also be seen in Total Energy's operational initiatives for 2000.

All of the Company's activities are built upon and measured against our business model of focus, discipline and growth. Our focus is on contract drilling, oilfield rentals and the gas compression sectors of the oil and gas service business. Our discipline demands a critical approach to managing costs, generating a strong return on invested capital and maintaining a prudent balance sheet to facilitate stable, long-term growth and profitability. Our growth is based on a commitment to expand Total Energy in a prudent, profitable manner.

BUILDING NEW OPPORTUNITY

This model, our long-term strategy of having three business segments levered towards the natural gas side of the industry and the right opportunities were the driving forces behind the Company's $6.5 million acquisition of the assets of Chinook Drilling effective April 1, 2000. From a financial standpoint, this was an asset acquisition which enabled us to avoid any financial goodwill and retain all the tax basis.

This acquisition offered a solid market entry opportunity in terms of price, timing and the capabilities of Chinook's modern equipment; one Rigmaster double and two Failing single rigs.

By December 2000, Total Energy had added a new Rigmaster telescopic double rig, Rig #4, complete with an automated pipe handling system to Chinook's line-up. Our ability to complete Rig #4 and to add $5.1 million in assets to our Drilling and Production Rentals segment was due to the successful equity infusion already mentioned and the strong cash flow generated by our operations. In December 2000, the Company also announced the construction of Rig #5 which, as highlighted in our operations report, features an innovative new design for a single rig. This rig is targeted for completion in the third quarter of 2001.

I can report that all rigs were contracted through the winter drilling season at market rates. This past year marked the first step in the Company's commitment to growing its Contract Drilling segment. Total Energy will continue to look for strategic opportunities that will expand this business.

CONTINUED GROWTH

Drilling and Production Rentals, which is operated through Total Oilfield Rentals Partnership, achieved significant expansion in 2000. Total Oilfield Rentals opened two new branches in Alberta: High Level and Rocky Mountain House. The former greatly enhances our ability to serve northern drilling operations while Rocky Mountain House extends our reach further south. This combination is expected to smooth out some of the seasonality in the rentals business creating year-round opportunity.

During the past year we also added over $5 million in additional equipment to this business. Total Oilfield Rentals had a phenomenal year in 2000. Given continued high utilization rates, the new branches, and the larger asset base it is expected to have a very strong 2001.

Our Natural Gas Compression Services group, Bidell Equipment Inc., experienced strong demand that commenced in the second quarter and continued throughout 2000. Bidell's strategic move of building inventory during the first quarter put it in a strong position to answer the surge in business. Bidell continues to have significant business opportunities and is currently backlogged into the second quarter of 2001.

A POSITIVE OUTLOOK

This has been a very dynamic period for both the Company and me. I joined the management team on June 1, 2000 as Chairman and Chief Executive Officer. My experience as a member of Total Energy's Board of Directors since February 1998 made the transition an easier one. In that capacity I had been a keen participant in Total Energy's exciting growth over the years.

It is important to recognize that through our three businesses and corporate office, Total Energy now employs nearly 250 people. The results of this past year are a credit to the expertise and energy each of our employees brings to this Company. Thank you. To all our Directors, thank you for your foresight, guidance and experience.

Looking forward, the view for 2001 continues to be very positive. The Company is expecting strong demand for our entire service offering. We are continuing to look for means to increase our asset base and have budgeted over $8 million in capital additions for 2001. Total Energy will continue to follow its business model of focus, discipline and growth.

Our strategy for building future shareholder value is to expand organically in all three businesses (with particular emphasis on contract drilling) and to actively seek accretive/strategic acquisitions. We intend to stand as a top-performing consolidator in the service business focusing on contract drilling, oilfield rentals and gas compression.

Tom Stan
Chairman and Chief Executive Officer
March 2001

drilling

WE PROMISED TO DELIVER GROWTH

An increase in first quarter cash flows, a strong balance sheet and the discipline to wait for the right opportunity paved the way to establishing another core business segment, Contract Drilling. On April 1, 2000, Total Energy acquired the assets of Chinook Drilling. The purchase of this Calgary-based quality drilling contractor marked our entry into a complementary market and established a third core business for Total Energy.

CONTRACT DRILLING

An increase in first quarter cash flows, a strong balance sheet and the discipline to wait for the right opportunity allowed Total Energy to establish another core business segment, Contract Drilling. On April 1, 2000 Total Energy acquired the assets of Chinook Drilling for $6.5 million — a price representing less than appraised value. The purchase of this quality drilling contractor, based in Calgary, marked our entry into a new complementary market and established a third core business for the Company. At the time of the acquisition, Chinook operated three modern drilling rigs, one Rigmaster P-500 telescopic double (rated to 2600 meters) and two Failing 3500 singles (rated to 1200 meters). All of the rigs were less than three years old at the time of the acquisition and came with a full complement of management and staff, under the direction of General Manager Patrick McDougall. The addition of Chinook has been complementary to the Drilling and Production Rentals segment as many of the customers are the same and cross-marketing opportunities are available, which can enhance the revenues of both businesses.

Immediately after the purchase, Chinook Drilling commissioned a 2,800 meter state-of-the-art Rigmaster P-500 telescopic double, Rig #4. Rig #4 can drill and move very efficiently requiring only 13 loads to move. It also incorporates safety features such as a fully automated pipe handling system, self-leveling substructure and hydraulically raised and pinned dog house. This rig was completed and began working in December 2000. As of February 2001, Rig #4 has drilled four wells, and is operating at its expected high level of efficiency for drilling and moving while the new automated pipe handling system is exceeding expectations.

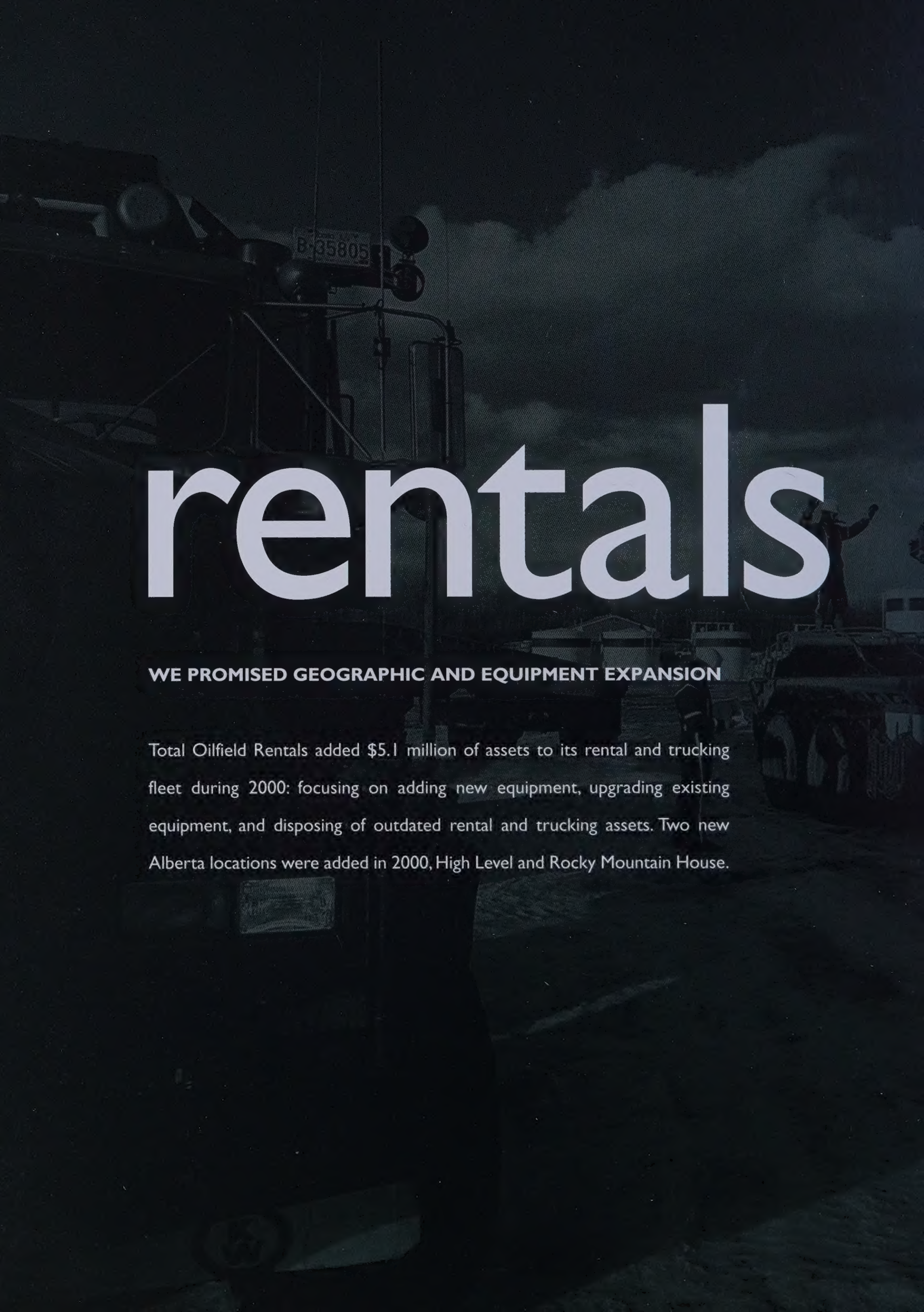
Looking at Chinook Drilling's performance for 2000, the business generated revenues of $4.8 million, from April 1, 2000 to December 31, 2000. The revenues for 2000 did not include the first quarter of the year as the assets were acquired on April 1, 2000. This means the busiest and most profitable quarter, the first quarter, was not included in the 2000 results.

In December 2000, Total Energy performed a review of the drilling rig market to identify any under-serviced niches. Through this review, the Company identified an opportunity in the 1,000 to 2,000 meter depth market. Coil tubing and most single rigs cannot drill to this depth and there was an identified need for a type of rig that would drill and move more efficiently than the old style "jackknife doubles". With this niche in mind, Total Energy's senior management initiated the development of an innovative new rig designed to compete effectively with all existing equipment in this drilling range. The parameters set for this expanded capacity single drilling rig are:

- Flexible drilling capabilities; from 500 to 2,200 meters.
- Increase efficiencies by featuring range-three drill pipe and the use of an automated pipe handling system.
- Incorporate the use of a hydraulic top drive.
- Achieve increased utilization by having the ability to move during partial road ban conditions.
- Increase move cost efficiencies by minimizing number of loads.

This innovative, expanded capacity, single drilling rig is targeted for completion in the third quarter of 2001.

We are anticipating that our rig utilization rates will achieve slightly higher than industry average for 2001. Our expectation in that regard is based on current information and the quality of the products and services Chinook Drilling offers. All four of Chinook's rigs were contracted at full market rates for the winter and have the promise of summer work in-hand. Chinook Drilling's line-up of rigs highlights current opportunities and our commitment to building future business through the utilization of innovative technology. Total Energy will continue to look for strategic opportunities to expand this division.



rentals

WE PROMISED GEOGRAPHIC AND EQUIPMENT EXPANSION

Total Oilfield Rentals added $5.1 million of assets to its rental and trucking fleet during 2000: focusing on adding new equipment, upgrading existing equipment, and disposing of outdated rental and trucking assets. Two new Alberta locations were added in 2000, High Level and Rocky Mountain House.

DRILLING AND PRODUCTION RENTALS

There is a direct link between rental utilization and drilling activity. At no time has this relationship been more clear than in 2000. The record-setting number of 16,500 wells drilled was equally matched by the performance of our Drilling and Production Rentals business, Total Oilfield Rentals. Under the direction of General Manager, Gerry Crawford, this business has focused on the gas prone areas of Northwestern Alberta and Northeastern British Columbia becoming one of the dominant players in above-ground oilfield rentals in these regions. Total Oilfield Rentals achieved all-time high revenues of $20.4 million in 2000, an 87% increase over 1999. During this same period staffing increased by only 15% to 100 employees.

Total Oilfield Rentals has nine field locations in Alberta, with its head office based in Whitecourt, and branch offices in Valleyview, Fox Creek, Grande Prairie, Manning, Edson, Red Earth Creek, Rocky Mountain House and High Level. The latter two locations were added in 2000, creating expansion opportunities for the company. High Level is targeted as an additional area of service growth for northern winter activity while the Rocky Mountain House branch will take advantage of summer drilling activity throughout the central Alberta foothills region.

Management made the correct assumptions on activity levels for 2000 and budgeted for a year of internal growth. These expansion initiatives were fueled by increased cash flow in 2000 and the proceeds from the equity offering that closed in September 2000. Total Oilfield Rentals added $5.1million of new assets to its rental and trucking fleet during 2000.

The rental fleet increased to 1,300 items by the end of 2000 from 1,000 items at the start of the year. Total Oilfield Rentals offers clients equipment such as caterpillar loaders, 400 barrel tanks, sump tanks, premix tanks, pressure vessels, rig mats, pumps, light towers and separators. It also operates a modern fleet of 40 heavy trucks and 70 trailers.

As a carry forward from 1999, Total Oilfield Rentals maintained a constant coordinated marketing effort both in the field and in Calgary, targeting all active oil and gas companies.

The Company initiated a new incentive bonus plan in 2000 to motivate and provide a retention incentive for staff on a percentage of profit basis. This bonus is intended to encourage a strong team approach to customer service and to keep employees focused on the bottom line.

Already a strong performer, the internal growth prospects for this division in 2001 are very positive given the broader market coverage established in 2000.

As demonstrated in 2000, Total Oilfield Rentals can easily expand its revenue base by adding new equipment and trucks to its current infrastructure with minimal increase to operating costs and thus generate strong increases to the bottom line.

Looking forward in 2001, we are once again planning aggressive internal growth while keeping a watchful eye for opportunistic acquisitions that complement our nine existing locations.

Drilling activity is expected to break all records in 2001 and Total Oilfield Rentals is well positioned to take advantage of this favorable business environment.

compression

WE PROMISED TO MAXIMIZE REVENUE AND GROWTH OPPORTUNITIES

Bidell Equipment doubled the size of its facility in 1999 to 34,000 square feet. This allowed Bidell to significantly increase production in 2000. Bidell focused on building as much inventory as it could in the first quarter. Bidell was in a strong position to maximize the opportunity that came with the flood of orders that began in the second quarter and carried through to year-end. Bidell's revenues grew from $9.5 million in 1999 to $18.5 million in 2000.

NATURAL GAS COMPRESSION SERVICES

During 2000 our Natural Gas Compression Services business, Bidell Equipment produced revenues of $18.5 million up from $9.5 million in 1999.

Established in 1988, Calgary-based Bidell is a supplier of natural gas compression equipment to Canadian oil and gas exploration and production companies. This division, under the general management of Warren Craddock, continues to carve out a niche in producing the low to mid-range reciprocating and rotary screw compression packages ranging from 20 to 2,000 horsepower. Employing 57 people, Bidell offers a range of services and products to its clients.

Bidell currently:

- Designs and packages portable and narrow skid style compressors to API, ASME, and ANSI standards.
- Provides full maintenance and repair services for compression equipment.
- Is an authorized Original Equipment Manufacturer of Sullair rotary screw compressor systems in process and natural gas applications. Bidell has a 20-year history with Sullair Corporation, Michigan City, Indiana in the development and application of hundreds of rotary screw compressors for various natural gas applications.
- Is also a factory-direct purchaser of Waukesha engines delivering supply and cost benefits to Bidell.

Two significant initiatives intersected to contribute to Bidell's strong performance in 2000.

The first was the expansion of Bidell's manufacturing facility in 1999. Bidell doubled the size of its facility in 1999 to 34,000 square feet. This allowed Bidell to significantly increase production in 2000.

The second initiative was the focus on building inventory in the first quarter of 2000. There was no significant backlog of orders at the end of 1999 and sales were slow in the first quarter of 2000. However rather than scaling back production, management made the correct assumption that demand for gas compression units would significantly increase through 2000. As a result, Bidell focused on building as much inventory as it could in the first quarter. Bidell was in a strong position to maximize the opportunity that came with the flood of orders that began in the second quarter and carried through to year-end. The inventory expansion also benefited Bidell as increased operating efficiencies were achieved by maintaining a steady experienced work force during the slow market conditions early in the year.

This past year saw changes in greenhouse gas emission regulations come into effect. The new flaring regulation coupled with soaring natural gas prices prompted a surge in demand for specialty orders of small horsepower vent gas compressors in large quantities. This kicked off gas compression orders from clients which continued on with larger units through to year-end. Marketing staff was also expanded to facilitate the marketing and rental of our increased output.

Bidell is currently experiencing strong demand for its products with a $3.0 million backlog of orders at year-end that carried it through the first quarter of 2001. Based on current demand and expectations going forward, Bidell is actively looking for opportunities to expand its manufacturing and service capabilities.

00

DEC Commenced construction of Rig #5 with completion scheduled for the third quarter of 2001.

OCT Two locations were added to Total Oilfield Rentals in 2000: Rocky Mountain House and High Level.

OCT Ken Mullen joined the Board of Directors. Mr. Mullen was the former President, CEO and Director of Plains Energy Services.

SEP Completed a $6.5 million equity financing.

JUNE Tom Stan appointed Chairman and CEO.

APR Rig #4, a 2,800 meter state-of-the-art Rigmaster P-500 telescopic double was commissioned and began working in December 2000. Rig #4 is capable of drilling and moving efficiently, requiring only 13 loads.

APR Total Energy acquired the assets of Chinook Drilling for $6.5 million.

99

DEC Total Energy acquired the assets of Paddy's Oilfield Services for a purchase price of $2.7 million.

SEP Larry Coston appointed President, COO and Director.

98

DEC Common shares commenced trading on the Toronto Stock Exchange under the symbol "TOT".

SEP The Company acquired Bidell Equipment Inc. for a purchase price of $4.9 million, effective July 1, 1998.

AUG David Hawkins appointed Vice President, Finance and Chief Financial Officer.

MAR Total Energy completed the acquisition of the assets of Elm Oilpatch Rentals for a purchase price of $15 million, effective January 3, 1998. Concurrently the Company closed a $10 million equity financing and a $12 million term debt facility financing.

97

DEC Name changed to Total Energy Services Ltd.

NOV The Company acquired Red Rock Rentals for a purchase price of $2.4 million, effective October 1, 1997.

OCT The Company acquired Total Oilfield Rentals Ltd. for a purchase price of $2.4 million, effective September 1, 1997.

SEP The Company completed a private placement for gross proceeds of $292,500.
The proceeds of the private placement were used in connection with the acquisition of Total Oilfield Rentals Ltd.

AUG The Company acquired GBM Trailer Service Ltd. for a purchase price of $1.7 million.

MAR Common shares commenced trading on the Alberta Stock Exchange.

FEB Initial public offering for gross proceeds of $300,000.

96

NOV Total Energy Services Ltd. incorporated in Alberta as "Anorak Capital Corp."

locations

Employing 250 people, Total Energy has offices and facilities in Calgary, Whitecourt, Valleyview, Edson, Fox Creek, Grande Prairie, Manning, Red Earth, High Level and Rocky Mountain House, Alberta. The Company has grown through internal capital expansion and strategic acquisitions. Total Energy intends to achieve ongoing expansion through further acquisitions and internal growth.

This management discussion and analysis focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the oilfield services industry. This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This discussion and analysis of the financial condition and results of operations for the year ended December 31, 2000 should be read in conjunction with the consolidated financial statements and related notes and material contained in other parts of this annual report.

Acquisitions

On April 1, 2000, the Company acquired the assets of Chinook Drilling. Chinook provides contract drilling services to oil and gas exploration and production companies in Western Canada. The acquisition was the start of a new operational segment for Total Energy and consisted of two single rigs and one double drilling rig. Consideration paid was $6.5 million cash.

On December 15, 1999, the Company acquired the assets of Paddy's Oilfield Services Ltd. This company focuses on transportation and rental of surface equipment, used in drilling and production processes, to oil and gas exploration and production companies in northwestern Alberta. The acquisition added a modern fleet of 16 heavy trucks and 25 trailers. Consideration paid was $2,718,466, consisting of $821,903 cash, the assumption of capital lease obligations of $1,128,097 and 500,000 common shares of the Company.

Results of Consolidated Operations

The results for the year ended December 31, 2000 reflect Total Energy's leverage to increased industry activity levels, the growth of Total Energy's businesses and the results of the rationalization and integration program that Total Energy implemented in 1999.

Industry activity levels increased significantly in 2000 from 1999. The increase was due to Total Energy's customers, the oil and gas exploration and production companies' cash flow increasing significantly in 2000 as compared to 1999. This resulted in an estimated increase in capital expenditures by exploration and production companies in Western Canada of 56% in 2000 versus 1999. The increase in earnings from exploration and production companies resulted from strong oil and gas prices in 2000. Oil prices increased from an average of $US19:32 WTI per barrel for 1999 to $US30.32 WTI per barrel for 2000, an increase of 57%. Natural gas prices increased from an average of $2.55 per mcf in 1999 to an average of $4.70 per mcf in 2000. This is an increase of 84%. The number of wells drilled in Western Canada increased from 10,600 in 1999 to 16,500 in 2000. This is an increase of 56%.

Consolidated Revenue

Revenues increased 108% to $45.8 million for the year ended December 31, 2000 versus $22.0 million for 1999.

Segmented Revenue

Segmented revenues for the year ended December 31, 2000 were $18.5 million for Natural Gas Compression Services, $20.4 million for Drilling and Production Rentals, $4.8 million for Contract Drilling Services and $2.0 million for Other. The Contract Drilling Services segment was only active for nine months, as Total Energy did not have any contract drilling operations until the acquisition of the Chinook Drilling assets effective April 1, 2000.

Drilling and Production Rentals

The revenue reported from Total Energy's Drilling and Production Rentals segment increased by 87% in 2000 from $10.9 million in 1999 to $20.4 million in 2000. As mentioned above, the increase was due to the increased industry activity as Total Energy's customers made significant increases in their capital expenditures in 2000 over 1999. Utilization of the rental assets increased to 51% in 2000 as compared to 35% in 1999. This is an increase of 46% in 2000 utilization as compared to 1999. As well, the Drilling and Production Rentals segment experienced average price increases of approximately 10% in 2000 compared to 1999 due to increased demand. Revenues also increased due to increased assets in this segment in 2000 as compared to 1999. Capital expenditures were $5.1 million in this segment in 2000. Total Energy also expanded the number of operating locations in this segment in 2000. The Company opened two new locations in Rocky Mountain House and High Level, Alberta.

Gas Compression

The revenue reported from Total Energy's Natural Gas Compression Services segment was $18.5 million in 2000 as compared to $9.5 million in 1999. This is an increase of 95% from 1999. The increase was due to the increased capital expenditures by Total's customers in 2000 as compared to 1999, as well as an increased focus on natural gas production by the Company's customers due to high natural gas prices. Total Energy also doubled the size of its production facility to 34,000 square feet during 1999, which allowed the Company to increase its production in 2000. While sales started slowly in the first quarter 2000, Total Energy built up inventory during this period as the Company expected demand to increase throughout 2000 for its products and services. Increased demand began in the second quarter of 2000 and continued throughout the year. Total Energy exited the year with a strong backlog of orders to the end of the first quarter of 2001 totaling $3 million.

Contract Drilling Services

The revenue reported from Total Energy's Contract Drilling Services segment was $4.8 million in 2000 as compared to nil in 1999. The Contract Drilling Services segment was only active for nine months in 2000, as Total Energy did not have any contract drilling operations until the acquisition of the Chinook Drilling assets effective April 1, 2000. The acquisition was the start of a new operational segment for Total Energy and consisted of two single rigs and one double drilling rig. The Company also added Rig #4 to this division in December 2000.

Other

Total's Other segment includes the operations of its Trailer Repair business and Corporate activities. The revenue reported from Total Energy's Other segment was $2.0 million in 2000 as compared to $1.6 million in 1999. This is an increase of 25% from 1999. All the revenue is attributable to the Trailer Repair division. A new General Manager, Al Kennedy, was hired in May 1999 upon the retirement of the previous General Manager. This change in management brought in new customers with a corresponding increase in revenues.

Operating Expenses

Operating expenses increased by 106% in 2000 to $26.6 million as compared to $12.9 million in 1999. The increase was due to the increased activity in all of Total Energy's business segments in 2000 as compared to 1999. The margins were consistent in 2000, at 42% as compared to 1999. Operating expenses consist of salaries and benefits for operations personnel, supplies, repairs, maintenance, fuel, manufacturing costs and trucking.

Selling, General and Administration Expenses

Selling, general and administration expenses were $6.3 million in 2000 as compared to $5.0 million in 1999. This 26% increase was due to the expansion of existing businesses, the acquisition of its drilling segment in 2000, and certain one-time expenses of $0.2 million resulting in the write-off of costs of an attempted acquisition opportunity. General and administration expenses include salaries and benefits for office staff, rent, utilities, and communications in the Company's various divisional offices and its corporate head office. General and administration expenses also include costs to maintain the Company's public listing and professional fees required to operate the head office.

Depreciation Expense

The Company's depreciation expense increased by 24% in 2000 to $3.1 million as compared to $2.5 million in 1999. This increase was due to the increase of property, plant and equipment throughout 2000 as compared to 1999 and the recognition of nine months of depreciation on the operation of its Contract Drilling segment in 2000 as compared to nil in 1999.

Other Interest Expense

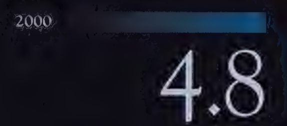
Other interest expense was $0.6 million in 2000 as compared to $0.2 million in 1999. This increase was due to the increased balance the Company carried on its operating line in 2000 as compared to 1999.

Interest on Long-Term Debt

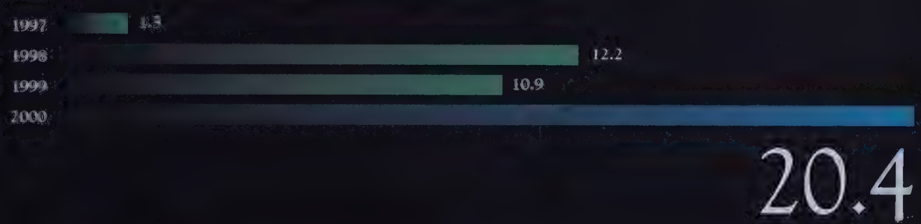
Interest on long-term debt increased by 30% in 2000 to $1.3 million as compared to $1.0 million in 1999. The increase was due to the Company funding its $6.5 million acquisition of the Chinook Drilling assets through an increase in long-term debt, an increase in interest rates in 2000 as compared to 1999, offset by repayments of long-term debt of $4.2 million in 2000.

segmented revenues

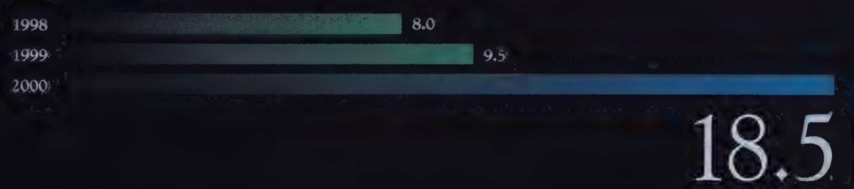
contract drilling services (in millions of dollars)



drilling and production rentals (in millions of dollars)



natural gas compression services (in millions of dollars)



Operating Earnings

Operating earnings increased by 1,480% in 2000 to $7.9 million as compared to $0.5 million in 1999. The Drilling and Production Rentals segment contributed operating earnings of $6.2 million in 2000 as compared to $1.0 million in 1999. This is an increase of 520%. The operating earnings margin in this segment was 30% in 2000 as compared to 9% in 1999. The increase is due to the segment's revenues increasing by 87% and costs not increasing in a proportionate amount due to the fixed cost structure of this segment. The Natural Gas Compression Services segment contributed operating earnings of $2.6 million in 2000 as compared to $0.8 million in 1999. This is an increase of 225%. The increase was due to the 95% increase in revenues in this segment in 2000 as compared to 1999, as well as an increase in operating margin. The operating earnings margin in this segment was 14% in 2000 as compared to 8% in 1999. The Contract Drilling segment contributed operating earnings of $0.6 million in 2000 as compared to nil in 1999. The operating earnings margin in this segment was 13% in 2000 as compared to nil in 1999. This segment was acquired April 1, 2000, and the operating earnings did not include the first quarter which historically has been the most profitable quarter of the year. The Other segment had operating losses of $1.5 million in 2000 as compared to $1.3 million in 1999.

Gain (loss) on Disposal of Equipment

The gain on disposal of equipment was $217,000 in 2000 as compared to a loss of $46,000 in 1999. The gain (loss) on disposal of equipment results from the on-going program of replacing and upgrading of older equipment in the Company's fleet.

Amortization of Goodwill, net of tax

The Company recorded amortization of goodwill, net of tax, of $0.4 million in 2000 as compared to $0.4 million in 1999. This expense is consistent in 2000 as compared to 1999, as there was no goodwill added in 2000 and the amortization of goodwill is calculated using a 15-year straight-line rate.

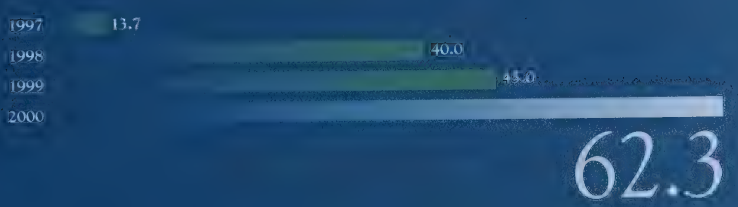
Income Taxes and Net Earnings

The Company recorded net earnings of $5.0 million ($0.26 per share) in 2000 as compared to a net loss of $0.2 million ($(0.01) per share) in 1999. Income tax expense was $2.7 million in 2000 as compared to $0.2 million in the previous year. This resulted in an effective tax rate of 34% in 2000 as compared to 46% in 1999. The Company's statutory combined income tax rate is 45%. The decrease in the effective income tax rate as compared to the statutory rate arises from a reduction of future income taxes following the introduction by the federal government of Canada of income tax rate reductions in its February 28 and October 28, 2000 budgets. Canadian generally accepted accounting principles (GAAP) require that the effect of this combined 7% federal income tax rate reduction on the Company's future tax balances over the next four years be reflected as a decrease of future tax expense in 2000, since the rate reductions have been substantively enacted into law.

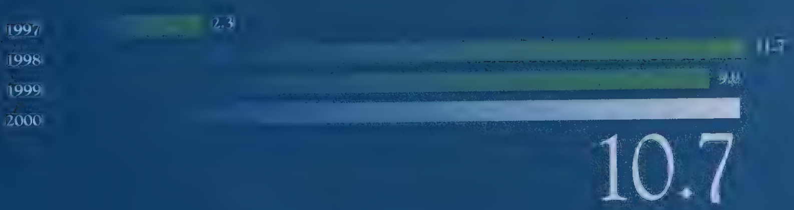
On January 1, 2000, the Company adopted the liability method of accounting for income taxes. Previously the Company followed the deferral method. The new policy has been applied retroactively without restating prior periods. Retained earnings at January 1, 2000 have been reduced by $1,003,000 representing the cumulative effect of the change in prior periods from $336,000 to a deficit of $667,000. Comparative financial statements have not been restated.

performance

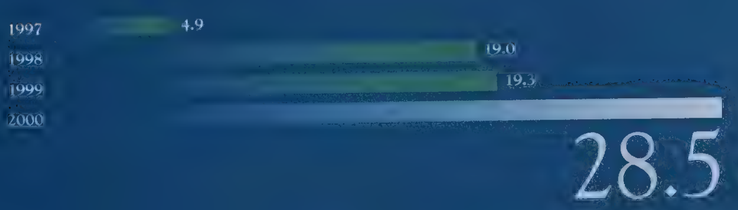
total assets (in millions of dollars)



long-term debt (in millions of dollars)



shareholders' equity (in millions of dollars)



LIQUIDITY AND CAPITAL RESOURCES

Cash Flow Provided by Operations

Cash flow provided by operations, before changes in non-cash working capital was $11.0 million in 2000 as compared to $3.2 million in 1999. The difference was primarily due to increased earnings in 2000 as compared to 1999, offset by the increase in depreciation and amortization expense and the increase in future income taxes. The Company reinvests all internally generated cash flow into either the internal growth of existing businesses, acquisitions, or for the repayment of long-term debt.

Investments

Net cash used in investment activities in 2000 was $14.0 million as compared to $2.1 million in 1999. The majority of cash used for 2000 investment activities related to the purchase of property, plant and equipment and the $6.5 million acquisition of the Chinook Drilling assets. The Company purchased $10.2 million in property, plant and equipment in 2000 as compared to $3.9 million in 1999. Purchases of property, plant and equipment in 2000 were allocated as follows: $0.6 million in the Natural Gas Compression Services segment; $5.1 million in the Drilling and Production Rentals segment, $4.4 million in the Contract Drilling Services segment and $0.1 million in the Other segment. This compared to $3.1 million in the Natural Gas Compression Services segment, $0.8 million in the Drilling and Production Rentals segment, nil in the Contract Drilling Services segment and $0.1 million in the Other segment in 1999. The purchase of property, plant and equipment in 2000 was offset by proceeds on the sale of equipment of $2.6 million. Proceeds on the sale of equipment was $2.6 million in 1999.

Financing

Net cash flow from financing activities was $4.3 million in 2000 as compared to $(1.1) million in 1999. The Company had cash provided from the issue of common shares of $6.1 million in 2000 as compared to $0.1 million in 1999. Effective September 12, 2000, the Company completed a prospectus offering of 5,764,000 units at $1.05 per unit for total consideration of $6,052,000. Proceeds, net of agents' fees and other related costs of the issue of $900,000, were $5,152,000. Each Unit consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share, at $1.50 per share, until March 11, 2002. None of the share purchase warrants were exercised in 2000.

The Company had advances under long-term debt of $7.1 million in 2000 as compared to $1.3 million in 1999. The majority of the advances, $6.5 million, related to the acquisition of the Chinook Drilling assets. The Company continued to focus on paying down its long-term debt in 2000. Repayments of long-term debt totaled $4.2 million in 2000 as compared to $3.8 million in 1999.

The Company decreased its bank indebtedness by $3.0 million in 2000 as compared to an increase of $1.5 million in 1999.

Liquidity

The Company had working capital of $3.0 million at the end of 2000 as compared to a working capital deficiency of $0.4 million at the end of 1999. The improvement in the Company's working capital position is due to increased earnings in 2000.

Business Risk and Management

The oil and gas service industry is highly reliant on the levels of capital expenditures made by oil and gas producers and explorers. These companies base their capital expenditures on several factors, including but not limited to hydrocarbon prices, cash flows, production levels of their reserves and access to capital. Activity levels are ultimately dependent on the above factors. Oil and gas producers and explorers tend to look at long-term fundamentals in any of the above factors before they adjust their capital budgets to reflect the above factors. Given the improved oil and gas prices companies are currently experiencing, it is anticipated that capital budgets of these companies will be higher in 2001 than they were in 2000. Industry analyst consensus estimates are that capital expenditures by Canadian producers will grow from $20 to $25 billion in 2000 to $23 to $28 billion in 2001 due primarily to higher commodity prices.

The Company is planning for increased activity in its businesses during 2001 relative to 2000. During the expected activity increase in 2001 the Company will be focusing on maintaining efficient operations in each of its businesses. As well, the Company is looking for accretive opportunities to expand its operations.

The Company has a comprehensive insurance and risk management program in place to protect its assets, operations and employees. The Company also has programs in place to ensure it meets or exceeds current safety and environmental standards. The Company has a safety and environmental coordinator responsible for maintaining and developing the Company's policies and monitoring the Company's operations to ensure they are in compliance with the policies. The safety and environmental coordinator is required to report any incidents directly to the President and COO of Total Energy.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

All information presented in this annual report is the responsibility of Total Energy Services Ltd.'s management. The accompanying consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada.

The Company's management has implemented and maintained internal controls to provide reasonable assurance that assets are properly safeguarded and that transactions as well as financial records are properly recorded and maintained to provide reliable financial information.

The Audit Committee of the Board of Directors has reviewed the financial statements with management and KPMG LLP, the Company's external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Thomas Stan
Chairman and Chief Executive Officer

David A. Hawkins, CA
Vice President, Finance and Chief Financial Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Total Energy Services Ltd. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 20, 2001

TOTAL ENERGY SERVICES LTD.
Consolidated Balance Sheets

December 31, 2000 and 1999 (in thousands of dollars)

ASSETS	2000	1999
Current assets:		
Accounts receivable	$ 10,825	$ 6,766
Inventory	3,497	1,706
Work-in-progress	4,337	3,604
Income taxes recoverable	447	335
Prepaid expenses and deposits	293	161
	19,399	12,572
Property, plant and equipment (note 4)	38,110	26,980
Goodwill, net of accumulated amortization of $1,256 (1999 - $810)	4,873	5,319
	$ 62,382	$ 44,871
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness (note 5)	$ 1,068	$ 4,096
Accounts payable and accrued liabilities	10,196	5,071
Current portion of long-term debt (note 6)	4,643	3,343
Current portion of obligations under capital leases (note 7)	497	497
	16,404	13,007
Long-term debt (note 6)	10,723	9,046
Obligations under capital leases (note 7)	120	604
Deferred obligation (note 12)	2,601	2,240
Future income taxes (note 9)	4,034	–
Deferred income taxes	–	672
Shareholders' equity:		
Share capital (note 8)	24,213	18,966
Retained earnings	4,287	336
	28,500	19,302
Commitments (note 10)		
Subsequent event (note 12)		
	$ 62,382	$ 44,871

See accompanying notes to consolidated financial statements.

Approved by the Board:

Director: Bruce L. Pachkowski

Director: Daniel K. Halyk

TOTAL ENERGY SERVICES LTD.

Consolidated Statements of Earnings and Retained Earnings

Years ended December 31, 2000 and 1999 (in thousands of dollars except per share amounts)

	2000	1999
REVENUE	$ 45,793	$ 22,021
Expenses:		
Operating	26,569	12,873
Selling, general and administration	6,345	4,970
Depreciation	3,122	2,537
Other interest	565	243
Interest on long-term debt	1,288	948
	37,889	21,571
Operating earnings	7,904	450
Gain (loss) on disposal of equipment	217	(46)
Earnings before income taxes and goodwill amortization	8,121	404
Income taxes (note 9):		
Current (recovery)	–	(174)
Deferred	–	359
Future	2,731	–
	2,731	185
Earnings before amortization of goodwill	5,390	219
Amortization of goodwill, net of tax	436	436
Net earnings (loss)	$ 4,954	$ (217)
Retained earnings, beginning of year	336	575
Repurchase and cancellation of common shares in excess of stated share capital	–	(22)
Change in method of accounting for income taxes (note 2)	(1,003)	–
Retained earnings, end of year	$ 4,287	$ 336
Earnings per share before goodwill amortization (note 8):		
Basic	$ 0.28	$ 0.01
Diluted	$ 0.27	$ 0.01
Earnings (loss) per share:		
Basic	$ 0.26	$ (0.01)
Diluted	$ 0.25	$ (0.01)

See accompanying notes to consolidated financial statements.

TOTAL ENERGY SERVICES LTD.

Consolidated Statements of Cash Flows

Years ended December 31, 2000 and 1999 (in thousands of dollars)

	2000	1999
CASH PROVIDED BY (USED IN):		
Operations:		
Net earnings (loss)	$ 4,954	$ (217)
Add items not affecting cash:		
Depreciation and amortization	3,568	2,983
Deferred income taxes	–	359
Future income taxes	2,731	–
Loss (gain) on disposal of equipment	(217)	46
	11,036	3,171
Changes in non-cash working capital items (note 13)	(1,258)	(6)
	9,778	3,165
Investments:		
Business acquisitions (note 3)	(6,500)	(840)
Purchase of property, plant and equipment	(10,177)	(3,866)
Proceeds on disposal of property, plant and equipment	2,641	2,597
	(14,036)	(2,109)
Financing:		
Issue of common shares	6,096	112
Advances under long-term debt	7,134	1,293
Repayment of long-term debt	(4,156)	(3,775)
Repayment of obligations under capital leases	(484)	(27)
Share issue costs	(900)	(1)
Repurchase of common shares	(404)	(156)
Increase (decrease) in bank indebtedness	(3,028)	1,498
	4,258	(1,056)
Increase (decrease) in cash	–	–
Cash, beginning of period	–	–
Cash, end of period	$ –	$ –
Supplemental Information:		
Interest paid	$ 1,869	$ 1,267
Income taxes paid	$ 12	$ 3

See accompanying notes to consolidated financial statements.

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

GENERAL:

Total Energy Services Ltd. (the "Company") is incorporated under the Business Corporations Act (Alberta). The Company's business is the sale, rental and servicing of natural gas compression equipment, the provision of contract drilling services and the rental and transportation of surface equipment used in drilling and production processes to oil and gas exploration and production companies in Western Canada.

1. Significant accounting policies:

(a) Basis of presentation:
These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

(b) Property, plant and equipment:
Property, plant and equipment are stated at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets for all assets except the rental compression assets and contract drilling equipment, which are depreciated using the utilization method. Depreciation rates are as follows:

Assets depreciated under straight-line method	Estimated useful life in years
Building	20
Furniture and fixtures	5
Rental equipment	5 to 14
Shop machinery and equipment	5
Automotive equipment	3 to 10
Computer equipment	3

Assets depreciated under the utilization method	Estimated useful life
Rental compression equipment	180 months
Contract drilling equipment	3,000 days

(c) Goodwill:
Goodwill, which represents the portion of the excess purchase price paid on the acquisition of businesses in excess of the value assigned to identifiable net assets acquired, is amortized on a straight-line basis over fifteen years from the acquisition date. The value of goodwill is periodically evaluated and where there is considered to be an impairment in the estimated net recoverable amount of the goodwill, based upon expected cash flows, the goodwill is written down to its estimated value. Amortization for the year ended December 31, 2000 - $446,000 (December 31, 1999 - $446,000).

(d) Inventory and work-in-progress:
Raw materials inventory, work-in-progress and finished goods are valued at the lower of cost and net realizable value. Cost for raw materials is determined on a specific item basis, with overhead and labour being determined on a weighted average basis.

1. Significant accounting policies: *(continued)*

(e) Per share amounts:
In 2000 the Company retroactively adopted a new method of calculating per share amounts. Under this method, basic earnings per share is calculated using the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated following the treasury stock method assuming that proceeds obtained upon the exercise of options would be used to purchase common shares at the average market price during the period. Comparative figures have been restated to conform with this new method. Previously fully diluted per share amounts were calculated using the imputed earnings method by calculating imputed earnings on deemed option proceeds. The change has had no impact on prior year reported amounts computed by the imputed earnings method.

(f) Revenue recognition:
The Company recognizes revenue as services are provided.

(g) Measurement of uncertainty:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from these estimates.

(h) Income taxes:
The Company has adopted the liability method of accounting for income taxes (note 2). Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences - the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis.

(i) Stock-based compensation plan:
The Company has a stock option plan whereby options to acquire common shares of the Company may be granted to the directors, officers, employees and consultants. No compensation expense is recognized for this plan when stock options are issued. Any consideration paid on the exercise of the stock option is credited to share capital.

(j) Inventory obligations:
Equipment transferred under an inventory purchase and leasing program (note 12) is included in inventory. When the equipment is leased, the asset is transferred to capital assets and is amortized over 180 months. Advances received are recognized as a deferred obligation and are recognized to income at agreed amortization rates ranging from 1.25% to 2.00% of the advances during the period the equipment is under lease or rent. When the equipment is sold, the deferred obligation is reduced and the applicable revenue and cost of sales is recognized in income.

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

2. Change in accounting policy:

On January 1, 2000, the Company adopted the liability method of accounting for income taxes. Previously the Company followed the deferral method. The new policy has been applied retroactively without restating prior periods. Retained earnings at January 1, 2000 have been reduced by $1,003,000 representing the cumulative effect of the change in prior periods from $336,000 to a deficit of $667,000. Comparative financial statements have not been restated.

3. Business acquisitions:

(a) Effective April 1, 2000, the Company acquired the assets of Chinook Drilling ("Chinook"), a company in the business of contract drilling services provided to oil and gas exploration and production companies in Western Canada. Total consideration paid consisted of cash of $6.5 million.

2000	Chinook
Contract drilling equipment	$ 6,471
Furniture and fixtures	29
Consideration	$ 6,500

(b) Effective December 15, 1999, the Company acquired the assets of Paddy's Oilfield Services Ltd. ("Paddy's"), a company in the business of the transportation and rental of surface equipment used in drilling and production processes to oil and gas exploration and production companies in Northwestern Alberta. Total consideration paid was $2,718,000 consisting of $822,000 cash, the assumption of capital lease obligations of $1,128,000 and 500,000 common shares of the Company. Acquisition costs relating to the transaction amounted to $18,000.

1999	Paddy's
Automotive equipment	$ 2,691
Inventory	27
Consideration	$ 2,718

All the acquisitions were accounted for using the purchase method of accounting, and results of operations have been included from the date of acquisitions.

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

4. Property, plant and equipment:

December 31, 2000	Cost	Accumulated depreciation	Net book value
Land	$ 1,134	$ –	$ 1,134
Building	2,204	300	1,904
Furniture and fixtures	602	341	261
Shop machinery and equipment	434	154	280
Rental equipment	20,720	4,502	16,218
Automotive assets under capital lease	2,618	161	2,457
Automotive equipment	6,367	1,248	5,119
Computer equipment	384	183	201
Contract drilling equipment	10,812	276	10,536
	$ 45,275	$ 7,165	$ 38,110

December 31, 1999	Cost	Accumulated depreciation	Net book value
Land	$ 1,134	$ –	$ 1,134
Building	2,152	192	1,960
Furniture and fixtures	566	231	335
Shop machinery and equipment	374	67	307
Rental equipment	19,570	3,545	16,025
Automotive assets under capital lease	2,155	7	2,148
Automotive equipment	5,760	824	4,936
Computer equipment	242	107	135
	$ 31,953	$ 4,973	$ 26,980

5. Bank indebtedness:

Bank indebtedness is payable on demand, and is secured by a first fixed and floating charge debenture over all the assets of the Company and a general assignment of book debts and bears interest at the bank's prime rate plus 0.5%.

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

6. Long-term debt:

	2000	1999
Loan payable, requiring monthly payments of $200,000 plus interest calculated at the lesser of the current short-term Bankers Acceptance rate plus a 1.75% stamping fee, or bank prime rate plus 3/4%. Loan matures April 2003 and is secured by a first fixed and floating charge on all assets of the company and certain other collateral security.	$ 5,940	$ 8,393
Loan payable, requiring monthly payments of $62,500 plus interest calculated at the lesser of the current short-term Bankers Acceptance rate plus a 1.75% stamping fee, or bank prime rate plus 3/4%. Loan matures September 2004 and is secured by a first fixed and floating charge on all assets of the company and certain other collateral security.	2,182	2,843
Loan payable, requiring monthly payments of $16,070 plus interest calculated at the lesser of the current short-term Bankers Acceptance rate plus a 1.75% stamping fee, or bank prime rate plus 3/4%. Loan matures December 2006 and is secured by a first fixed and floating charge on all assets of the company and certain other collateral security.	1,558	1,153
Loan payable, requiring monthly payments of $108,333 plus interest calculated at the lesser of the current short-term Bankers Acceptance rate plus a 1.85% stamping fee, or bank prime rate plus 0.85%. Loan matures May 2005 and is secured by a first fixed and floating charge on all assets of the company and certain other collateral security.	5,686	–
	15,366	12,389
Less current portion	4,643	3,343
	$ 10,723	$ 9,046

Principal payments due over the next five years are as follows:

2001	$ 4,643
2002	4,643
2003	3,315
2004	1,493
2005 and beyond	1,272

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

7. Obligations under capital leases:

	2000	1999
Equipment under capital lease	$ 617	$ 1,101
Less current portion	497	497
	$ 120	$ 604

On December 15, 1999 the Company assumed capital leases as part of its consideration paid for the acquisition of Paddy's Oilfield Services Ltd. The capital leases have interest rates of 6.50%.

Interest of $58,000 for the year ended December 31, 2000 (December 31, 1999 - $4,000) relating to capital lease obligations has been included in interest on long-term debt.

Principal payments due over the next two years are as follows:

2001	$ 497
2002	120

8. Share capital:

(a) Authorized:
Unlimited number of common voting shares
Unlimited number of non-cumulative, 7% per annum dividend bearing preferred shares

(b) Common shares issued:

	Number of shares	Amount
Balance, December 31, 1998	17,480	$ 18,239
Issued on exercise of stock options	20	12
Issued on exercise of warrants	200	100
Issued on acquisition (note 3)	500	750
Repurchased and cancelled	(126)	(135)
Balance, December 31, 1999	18,074	18,966
Issued pursuant to equity offering	5,764	6,052
Repurchased and cancelled	(402)	(404)
Issued on exercise of stock options	75	44
Adjustment to share capital on change in accounting policy for income taxes	-	83
Less share issue costs (net of future income tax benefit of $372)	-	(528)
Balance, December 31, 2000	23,511	$ 24,213

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

8. Share capital *(continued)*:

(c) Pursuant to a loan agreement dated June 27, 1997 with a lender, the Company issued 200,000 warrants to acquire common shares at a price of $0.50 per share on or prior to August 22, 1999. These warrants were exercised in 1999.

(d) Prospectus offering:
Effective September 12, 2000, the Company completed a prospectus offering of 5,764,000 units at $1.05 per unit for total consideration of $6,052,000. Proceeds, net of agents' fees and other related costs of the issue of $900,000, were $5,152,000. Each Unit consisted of one common share and one half of a common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at $1.50 per share until March 11, 2002. None of the share purchase warrants were exercised in 2000.

(e) Options:
On November 12, 1996, the directors of the Company adopted a stock option plan (the "ASE Plan"), which was drafted to comply with the policies of The Alberta Stock Exchange. Under the ASE Plan, options to acquire common shares of the Company could be granted to the directors, officers and employees of the Company and to consultants retained by the Company. The ASE Plan was ratified by shareholders at the special meeting of shareholders held on August 22, 1997.

The common shares of the Company were voluntarily delisted from The Alberta Stock Exchange in January 1999 (following the listing of the common shares on The Toronto Stock Exchange) and it is not anticipated that any further options will be granted under the ASE Plan. At such time as those options have been exercised, expire or are cancelled, the ASE Plan will terminate and will be of no further force or effect.

ASE PLAN OPTIONS		2000		1999
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	764,334	$ 1.82	1,079,334	$ 1.72
Granted	–	–	–	–
Exercised	14,667	0.50	–	–
Cancelled	90,000	1.79	315,000	1.48
Outstanding at end of year	659,667	$ 1.85	764,334	$ 1.82
Options vested at end of year	659,667		609,334	

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

8. Share capital *(continued)*:

The following table summarizes information about the ASE Plan options outstanding at December 31, 2000.

ASE PLAN OPTIONS	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of Exercise Prices	Number outstanding at Dec 31, 2000	Weighted-average remaining contractual life	Weighted-average exercise price	Number exercisable at Dec 31, 2000	Weighted-average exercise price
$0.50 to $1.00	34,667	1.64	$ 0.50	34,667	$ 0.50
$1.01 to $2.00	475,000	2.31	1.82	475,000	1.82
$2.01 to $3.00	150,000	2.22	2.25	150,000	2.25
	659,667	2.26	$ 1.85	659,667	$ 1.85

On December 4, 1998, the Company implemented a new form of stock option plan (the "TSE Plan"), which was drafted to comply with the policies of The Toronto Stock Exchange. Under the TSE Plan, options to acquire common shares of the Company may be granted to the directors, officers and employees of the Company and to consultants retained by the Company.

The aggregate number of common shares issuable upon the exercise of options outstanding under the TSE Plan at any time may not exceed 10% of the issued and outstanding common shares and the aggregate number of common shares issuable to any one officer, director or full time employee of the Company may not exceed 5% of the total number of issued and outstanding common shares. The period during which an option granted under the Plan is exercisable may not exceed ten years from the date such option is granted. The price at which common shares may be acquired upon the exercise of an option is determined with reference to the closing price of the common shares on the first day prior to the date of grant on which a board lot of common shares traded on The Toronto Stock Exchange.

TSE PLAN OPTIONS	2000		1999	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Outstanding at beginning of year	685,000	$ 0.86	–	$ –
Granted	550,000	1.15	845,000	0.81
Exercised	60,000	0.61	20,000	0.58
Cancelled	50,000	0.64	140,000	0.58
Outstanding at end of year	1,125,000	$ 1.02	685,000	$ 0.86
Options vested at end of year	566,667		228,333	

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

8. Share capital *(continued)*:

The following table summarizes information about the TSE Plan options outstanding at December 31, 2000.

TSE PLAN OPTIONS	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
Range of exercise price	Number outstanding at Dec 31, 2000	Weighted- average remaining contractual life	Weighted-average exercise price	Number exerciseable at Dec 31, 2000	Weighted-average exercise price
$0.50 to $1.00	550,000	3.5	$ 0.74	300,000	$ 0.69
$1.01 to $2.00	575,000	4.2	1.29	266,667	1.32
	1,125,000	3.8	$ 1.02	566,667	$ 0.98

Subject to the foregoing restrictions, and certain other restrictions set forth in the TSE Plan, the Board of Directors of the Company is authorized to provide for the granting of options and the exercise and method of exercise of options granted under the TSE Plan.

Options granted under the ASE Plan and the TSE Plan are non-assignable. Such options are subject to early termination in the event of the death of a participant or in the event a participant ceases to be an officer, director, employee or consultant of the Company, as the case may be.

(g) Per share amounts:
The weighted average number of shares outstanding during the year was 19,412,131 (1999 – 17,567,821). In computing diluted earnings per share, 216,506 (1999 – 244,850) shares were added to the weighted average number of common shares outstanding during the year for the dilutive effect of stock options.

(h) Escrowed shares:
Pursuant to escrow agreements between the Company, certain shareholders of the Company and a trust company, 430,000 and 3,025,853 common shares were held in escrow as of December 31, 2000 and December 31, 1999, respectively.

(i) Shares Purchased:
Under the provisions of the normal course issuer bid, during 2000 the Company purchased 404,000 common shares at an average price of $1.00 per share, including commissions, and such shares were cancelled. During 1999 the Company purchased 125,000 common shares at an average price of $1.07 per share, including commissions, and such shares were cancelled.

9. Income taxes:

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates of 44.6% to income before income taxes. The reasons for the differences are as follows:

	2000	1999
Income tax rate	44.6%	44.6%
Expected tax expense (recovery)	$ 3,621	$ 180
Increase in taxes resulting from:		
Future income tax rate adjustment	(890)	–
Other	–	5
Provision for income taxes	$ 2,731	$ 185

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

9. Income taxes *(continued)*:

The components of the net future income tax liability at December 31, 2000 is as follows:

Future income tax assets:	
Benefit of non-capital losses	$ 842
Share issue costs	448
Other	13
	1,303
Future income tax liabilities:	
Deferred partnership income	1,248
Property, plant and equipment	4,055
Other	34
	5,337
Net future income tax liability	$ 4,034

10. Commitments:

The Company has operating lease commitments for vehicles and buildings as follows:

2001	$ 969
2002	659
2003	457
2004	200

11. Financial instruments:

(a) Risk management activities:
The Company does not have a significant exposure to any individual customer or counter party. Concentration of credit risk on the Company's trade accounts receivable exists in the oil and gas industry.

(b) Fair values:
The carrying values of bank indebtedness, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of long-term debt is determined at the present value of contractual future payments of principal, discounted at the current market rates for interest available to the Company for the same or similar debt instruments with fixed interest rates. All long-term debt with variable interest rates are assumed to already be at fair value and therefore are not revalued.

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

12. Inventory purchase and leasing program and subsequent event:

The Company has entered into a $7 million gas compression inventory purchase and leasing program agreement on September 29, 1999 (the "Agreement") with a leasing company ("Leaseco"). Pursuant to the Agreement, the Company is able to carry up to an unamortized amount of $7 million of portable gas compression equipment for an initial term of five years after which time the program may be renewed for an additional five years. At the end of either term the Company has the option to repurchase the transferred inventory at its unamortized amount. As well, at the end of either term the Leaseco has the option to require the Company to repurchase the inventory at the unamortized amount.

Under the terms of the Agreement, the Company is subject to certain fees including an annual payment and a monthly payment based on an annual interest rate of prime rate plus 1.25% for any inventory units in the program that are not on rent or lease. If an inventory unit has been transferred pursuant to the Agreement and has not been leased or rented for 364 consecutive days the monthly payment for any such unit is calculated at prime rate plus 6.0%. At December 31, 2000, $2,601,000 (December 31, 1999 $2,240,000) represents the unamortized portion of the advances.

Subsequent to year end the Leaseco notified the Company that it was closing its leasing operations and under the agreement, was exercising its right to end funding on the yearly anniversary date of September 29, 2001. After September 29, 2001 the Company can no longer have new unamortized funds under the agreement. At September 29, 2004 the Company will be required to repurchase any unleased inventory at the unamortized amount. The leases on any units that are on lease at the end of September 29, 2004 will continue to the end of the lease term at which time the Company will be required to repurchase the units at their unamortized amount. At December 31, 2000 the unamortized amount of equipment subject to repurchase is $2,601,000.

13. Changes in non-cash working capital items:

	2000	1999
Accounts receivable	$ (4,059)	$ (2,204)
Inventory and work in progress	(2,524)	(1,588)
Income taxes recoverable	(29)	(93)
Prepaid expenses	(132)	(72)
Accounts payable and accrued liabilities	5,125	1,711
Deferred obligation	361	2,240
	$ (1,258)	$ (6)

Years ended December 31, 2000 and 1999 (tabular amounts in thousands of dollars)

14. Segmented information:

The Company operates in three main industry segments which are substantially in one geographic segment. These segments are Natural Gas Compression Services, which includes the sale, rental and servicing of natural gas compression equipment, Drilling and Production Rentals, which includes the rental and transportation of surface equipment used in drilling and production processes, and Contract Drilling Services, which includes the contracting of drilling equipment and the provision of labour required to operate the equipment. The Company did not have operations in the Contract Drilling Services segment until April 1, 2000.

The segmented amounts are as follows:

December 31, 2000	Gas compression services	Drilling and production rentals	Contract drilling services	Other	Total
Revenue	$ 18,530	$ 20,387	$ 4,847	$ 2,029	$ 45,793
Operating earnings (1)	2,585	6,201	609	(1,491)	7,904
Depreciation and amortization	317	2,778	283	190	3,568
Assets	12,429	34,333	12,991	2,629	62,382
Capital expenditures (2)	637	5,092	4,366	82	10,177

(1) Operating earnings are earnings before loss on sale of equipment, income taxes and goodwill amortization.
(2) Excludes acquisitions.
(3) Other includes sundry operations and the Company's corporate activities.

December 31, 1999	Gas compression services	Drilling and production rentals	Other	Total
Revenue	$ 9,510	$ 10,905	$ 1,606	$ 22,021
Operating earnings (1)	765	1,004	(1,319)	450
Depreciation and amortization	307	2,496	180	2,983
Assets	12,322	29,748	2,801	44,871
Capital expenditures (2)	3,051	750	65	3,866

(1) Operating earnings are earnings before loss on sale of equipment, income taxes and goodwill amortization.
(2) Excludes acquisitions.
(3) Other includes sundry operations and the Company's corporate activities.

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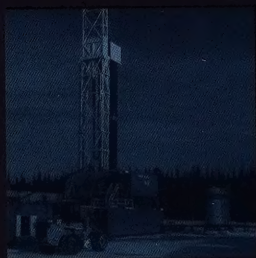
RESULTS	2000	1999	1998	1997
Revenue	**45,793**	22,021	21,653	2,401
EBITDA (1)	**13,096**	4,132	4,998	977
Operating earnings	**7,904**	450	1,754	344
Cash flow from operations, before changes in non-cash working capital	**11,036**	3,171	4,042	581
Earnings before income taxes and goodwill amortization	**8,121**	404	1,415	406
Earnings before goodwill amortization	**5,390**	219	720	172
Net earnings (loss)	**4,954**	(217)	476	99
Interest expense	**1,853**	1,191	1,152	194
Depreciation	**3,122**	2,537	2,430	377
Amortization of goodwill, net of tax	**436**	436	243	73
Capital expenditures, net	**7,536**	1,269	3,747	2,676
Earnings per share before goodwill amortization - basic	**0.28**	0.01	0.05	0.03
Earnings (loss) per share - basic	**0.26**	(0.01)	0.03	0.02
EBITDA per share - basic	**0.66**	0.21	0.34	0.16
Cash flow from operations, before changes in non-cash working capital per share - basic	**0.57**	0.18	0.26	0.10

FINANCIAL POSITION				
Working capital	**2,995**	(435)	(603)	(3,837)
Total assets	**62,382**	44,871	39,872	13,748
Long-term debt	**10,723**	9,046	11,721	1,110
Shareholders' equity	**28,500**	19,302	18,814	4,941

(thousands of dollars, except per share data)

TOTAL

BOARD OF DIRECTORS

Thomas Stan[1,3]
Chairman and Chief Executive Officer

Larry Coston
President and Chief Operating Officer

Daniel Halyk[1,2,3]

Bruce Pachkowski[1,2]

Dale Whittaker[3]

Ken Mullen[2]

1 Member of the Compensation Committee
2 Member of the Audit Committee
3 Member of the Nomination Committee

MANAGEMENT TEAM

Total Energy Services Ltd.

Thomas Stan
Chairman and Chief Executive Officer

Larry Coston
President and Chief Operating Officer

David Hawkins
Vice President Finance and Chief Financial Officer

Nick Fader
Corporate Secretary

Total Oilfield Rentals Partnership

Gerry Crawford - General Manager
Mike Niles - Controller

Bidell Equipment Inc.

Warren Craddock - General Manager
Rick McKnight - Controller

Chinook Drilling Inc.

Pat McDougall - General Manager
Aly Musani - Controller

G.B.M. Trailer Service Ltd.

Al Kennedy - General Manager

CORPORATE INFORMATION

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KPMG LLP
Calgary, Alberta

Registrar and Transfer Agent

CIBC Mellon Trust
Calgary, Alberta

Legal Counsel

Bennett Jones, LLP
Calgary, Alberta

Banker

HSBC
Calgary, Alberta

Stock Exchange Listing

Toronto Stock Exchange
Common Shares TOT
Warrants TOT.WT

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